

- Workers earnings and benefits jump 2.3% in the second quarter
- Second quarter investment in residential construction up 2.7%
- Canadian economic growth slows to 0.5% in second quarter

The Economy

- Wages, salaries and benefits received by workers in the province rose 2.3% (*seasonally adjusted*) in the second quarter. BC's labour income growth was second only to Alberta, which posted a 2.5% gain.

Nationally, labour income increased just 0.2%, despite relatively strong growth in most regions. The first quarter numbers had been bumped up by a large payment made to reduce the actuarial deficit of a pension plan in Newfoundland. As a result, the second quarter numbers were only slightly higher than at the beginning of the year.

Year-to-date, labour income in BC advanced 8.0% over the first six months of 2005. BC, Alberta (+10.7%) and Newfoundland (+53.5%) posted the biggest increases. However, excluding the special payment, Newfoundland's increase would have been about 4%. The Canadian figure was up 6.5% from the first six months of 2005, but would have been about 6% higher without the payment.

Data Source: Statistics Canada & BC Stats

- Investment in residential structures advanced 2.7% (*seasonally adjusted*) in the second quarter following even stronger growth (+8.6%) at the beginning of the year. Spending on new construction in BC remained robust (+6.5%), while renovation expenditures increased (+2.5%) for the first time since last fall. Acquisition costs, such as legal fees and real estate commissions, fell back 14.7% after soaring in the first quarter. Revised figures for investment in non-residential building construction show a 4.9% increase in the second quarter.

Data Source: Statistics Canada & BC Stats

- The number of British Columbians receiving regular employment insurance (EI) benefits

inched down 0.3% (*seasonally adjusted*) in June, to 41,340.

Data Source: Statistics Canada

Tuition Fees

- As university students in BC prepare to return to school, they will be facing a 1.9% increase in the average cost of undergraduate tuition fees. Tuition fees in BC have increased significantly since 2002/03, when a six-year-long freeze was lifted. From 2001/2002 to 2006/2007 fees jumped 96.3%, compared to only 21.5% nationwide. Despite the recent increases, average fees in BC are by no means the highest in the country. That distinction belongs to Nova Scotia, where students pay \$6,571 per year, on average. Undergrads in BC pay \$4,960, ranking them fifth in the country. Quebec is in a class by itself with by far the lowest fees, at \$1,916 per year. The average cost for undergraduate tuition in Canada is \$4,347 for the 2006/07 school year.

Data Source: Statistics Canada

Film and Video

- In 2004/2005, BC's 23 post-production film, video and audio-visual companies posted \$38.4 million in operating revenues. However, at \$39.3 million, operating expenses outweighed revenues. The profit margin of BC post-production firms has been slipping in recent years since its peak in 1998/1999 (25.4%). Canadian firms have followed a similar trend, as rising expenses outpaced growth in revenues resulting in only a 4.3% profit margin in 2004/2005, down from 16.3% in 1998/1999. British Columbia firms earned 3.8% of Canada's post-production revenue in 2004/2005, while Ontario and Quebec together earned 95.2%.

Data Source: Statistics Canada

- In 2004/2005, Canadians showed a growing interest in watching movies at cinemas rather than at home. Revenues from sales of DVDs,

Did you know...

When it comes to long weekends, most Canadians like to hang out with friends (38%), have a lazy weekend (35%), do some reading (27%), or take a trip (22%). *Source: Ipsos Reid*

which had been soaring since 2000, remained unchanged (at \$1.8 billion) in 2004/2005. Meanwhile, revenues from distribution of films to cinemas were up sharply from the previous year (+16.6% to \$446.3 million). Canadian content products maintained their 11% share of the overall domestic market in 2004/2005 and foreign sales of Canadian films and videos were up 3.4% from the previous year.

Data Source: Statistics Canada

Transportation

- **Canadians are taking more trips on urban transit systems.** Combined ridership on ten large urban transit systems (accounting for 80% of total urban transit in Canada) was up 2.7% in June over the same month last year. A total of 115.4 million passenger trips were taken on these systems, generating \$185.4 million in revenue, a 3.3% increase from June 2005.

Data Source: Statistics Canada

- **Vancouver International Airport was the second-busiest airport in the country, after Toronto's Pearson Airport, in July.** Last month, 32,315 aircraft took off or landed in Vancouver, compared to 36,812 in Toronto. The third-busiest airport was Calgary International, with 21,710 aircraft arrivals and departures. International airports in Montreal (18,654) and Ottawa (12,475) were not quite as busy.

Data Source: Statistics Canada

Travel

- **Fuelled by the first increase in spending by American tourists (+4.0%, seasonally adjusted) since the end of 2004, Canada's international travel deficit narrowed during the second quarter of 2006.** Canadians spent approximately \$1.8 billion more outside the country than foreigners spent in Canada. American spending helped push total foreign travel receipts up 3.1% to \$4.0 billion. Meanwhile, Canadians spent \$5.9 billion (+1.4%) away from home. Spending by Canadians south of the border was moderately higher (+0.6% to \$3.3 billion), but residents travelling abroad spent a record \$2.6 billion, a 2.4% gain over the previous quarter.

Data Source: Statistics Canada

- **Record numbers of Canadians travelled to**

overseas destinations in the first quarter of 2006 registering a 6.8% increase in trips over the same quarter last year. Canadians made 5.7 million overnight trips to the US and overseas, 5.3% more than in the same months of 2005. Overnight travel to the US (+4.3% to 3.5 million trips) reached the highest first quarter level in over a decade.

Overnight travel to Canada by visitors from the United States (-9.0%) and other countries (-0.5%) was down from the first quarter of 2005.

The most popular overseas destinations for Canadians were Mexico, Cuba and the Dominican Republic. Although travel to Europe declined (-8.3%), the United Kingdom and France remained in the top five overseas travel destinations.

Data Source: Statistics Canada

The Nation

- **Canada's economy posted slower growth (+0.5%, seasonally adjusted) in the second quarter following a very strong showing at the beginning of the year (+0.9%).** The slower growth was due to a combination of factors. Consumer spending increased at a more modest pace (+1.0%) than in the first quarter, while business investment in fixed capital edged up just 0.6% as investment in residential construction fell (-1.3%). Spending on non-residential structures also grew at a slower rate (+1.4%) than in the past. At the same time, exports continued to slip (-0.3%), but spending on goods and services imported from other countries jumped 2.3%.

GDP in the goods-producing industries fell back 0.3%. However, the service industries posted a relatively strong 0.8% increase.

Data Source: Statistics Canada

Canadian manufacturers' prices rose 4.3% during the twelve-month period ending in July. Prices for BC softwood lumber continued to drop, albeit at a slower pace, falling 4.2%. Both interior (-4.9%) and coastal (-2.9%) lumber producers received less for their product than they had a year earlier.

Data Source: Statistics Canada

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Contact: Dan Schrier (250) 387-0376

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Will B.C. Miss the Boat on Port Expansion?

The surge in merchandise imports from Asia, particularly from China, has prompted plans for port expansion in British Columbia, but there are concerns that this expansion is moving too slowly and may not be ambitious enough to meet future demands. The influx of goods from Asia has resulted in significant backlogs at North American ports and growth in container capacity to handle the increase is not keeping up with the rapid expansion of Asian ports. The inability to accommodate the rise in container traffic is resulting in an unintended trade barrier and is forcing Asian producers to look for alternatives to the main seaports along the Pacific Coast of North America.

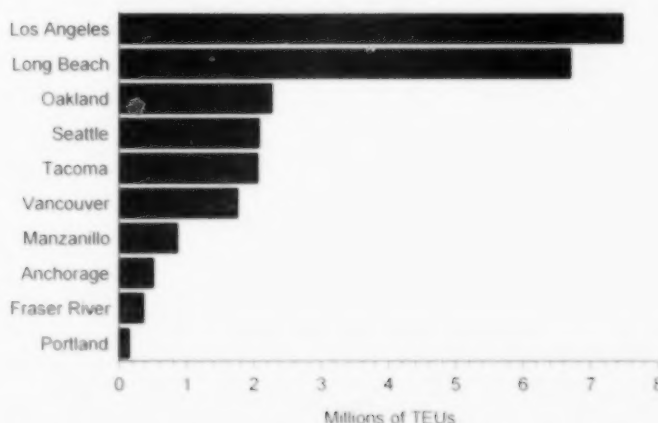
BC ports are planning for expansion, but delays could be costly

Looking to take advantage of this opportunity, the Port of Prince Rupert has begun the process of building a container-handling facility with a capacity of 500,000 TEUs that would be online by 2007, with plans for expansion to 2 million TEUs by 2010. By comparison, the current container capacity of the Port of Vancouver, Canada's largest seaport, is between 1.8 and 1.9 million TEUs.

A TEU is a twenty-foot equivalent unit, which is the standard measure of container traffic based on the length of a container (e.g., a 40-foot container would be 2 TEUs)

However, it is not likely that the Port of Prince Rupert will surpass Vancouver in terms of container capacity, as the Port of Vancouver is also in the process of expanding its facilities with the intention of tripling its capacity over the next 20 years to almost 5 million TEUs. The Port of Vancouver has already started its expansion efforts and construction of one phase of the project is complete; however, federally mandated environmental impact studies have caused delays in the ex-

Vancouver ranked sixth in terms of container traffic on the Pacific Coast of North America in 2005



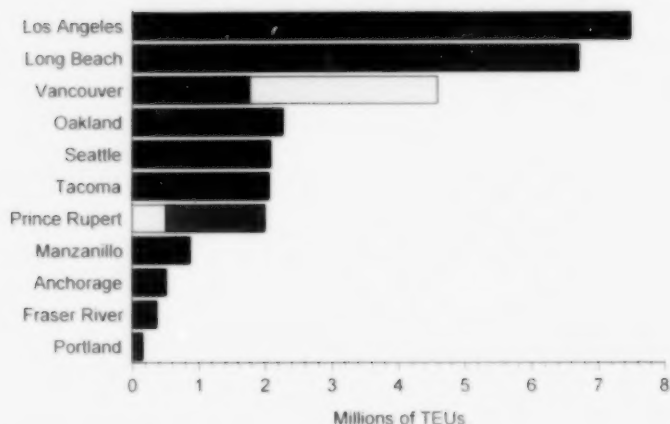
In 2005, the Port of Vancouver had the sixth largest volume of container traffic on the Pacific Coast of North America

Source: American Association of Port Authorities

pansion of the Deltaport terminal, which could prove to be costly if rival ports in the United States are able to capture the market before the Port of Vancouver's terminal is in place.

Vancouver is currently ranked sixth in terms of container traffic on the Pacific Coast of North America. Los Angeles and Long Beach handle by far the largest volumes of container traffic on the Pacific Coast. Each of these ports saw about four times as much container traffic as Vancouver in 2005. Oakland, Seattle and Tacoma also ranked slightly above the Port of Vancouver for container shipments. However, if the planned port expansions for the Port of Vancouver and the Port of Prince Rupert were already in place, Vancouver would be the third largest container port on the North American Pacific Coast and Prince Rupert would rank seventh, just behind Tacoma.

If the planned port expansions were in place now, Vancouver would rank third and Prince Rupert would have the seventh largest container port on the North American Pacific Coast



Source: American Association of Port Authorities

If Vancouver and Prince Rupert expansion plans were already in place, Vancouver would have ranked third and Prince Rupert seventh in 2005 in terms of container traffic volumes on the Pacific Coast

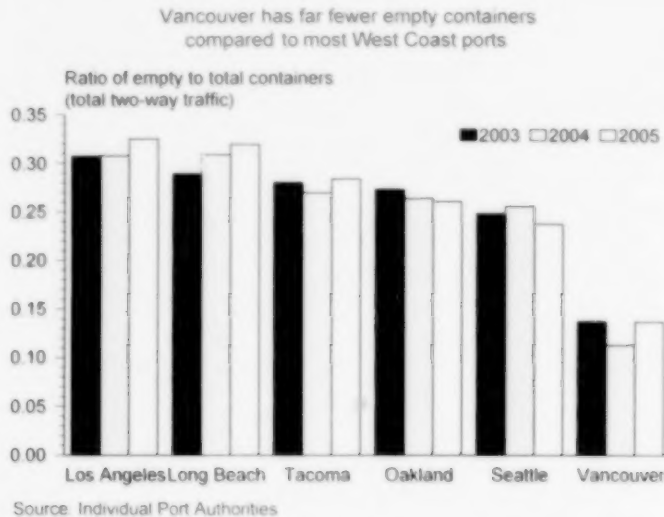
It is unlikely that this ranking will actually come to pass as it assumes that other ports will not also expand their facilities. In fact, Seattle already has plans to build more container capacity and even Los Angeles, already the largest container port on the west coast, is looking to expand its facilities. There is also the possibility of new ports being constructed and there has already been discussion about building a new container facility in Lazaro Cardenas, Mexico.

However, other West Coast ports are also planning to expand

With so many new or expanded facilities in the works, it is even more imperative that both Prince Rupert and Vancouver proceed expeditiously with their plans so that they do not lose potential market share to other competing ports. There have even been suggestions that the current expansion plans do not go far enough (one business consultant

was quoted in a *Globe and Mail* article as saying the Prince Rupert expansion plan was "wimpy").¹

One advantage that the Port of Vancouver has over many of its competitors is that it has a significant volume of outbound goods as well as inbound cargo. In many West Coast ports, containers are shipped back to Asia empty, whereas containers leaving the Port of Vancouver are usually at least partially full, which offsets the cost of the return voyage.



Vancouver has relatively fewer empty containers compared to most West Coast ports

The ports of Los Angeles and Long Beach are both heavily weighted toward dealing with imports with about two of every three containers heading back empty. Tacoma and Seattle are slightly better with only about half the containers sent back empty. Oakland tends to have almost the same volume of exports as imports (at least in recent years), but it has empty containers going both ways, whereas Vancouver is far more efficient, with relatively few empty containers compared to these other ports.

This is likely one advantage that Prince Rupert will not share. It is probable that most of the container traffic in Prince Rupert will be one-way, with containers coming in full and being shipped back empty. Due to its remote location and small population base, there will be little local demand for goods shipped in through Prince Rupert and most of the imported merchandise will be immediately shipped out by rail to another destination. However, there are some advantages to a port in Prince Rupert as it is significantly closer to Asian ports compared to major North American ports. Prince Rupert is approximately two days sailing time closer than Los Angeles or Long Beach and one day closer than Vancouver. Although the rail trip to destinations such as Chicago

Containers will likely come into Prince Rupert full and be shipped back empty

¹ George Stalk, senior vice president of Boston Consulting Group, quoted in: Pitts, Gordon, "Will West Coast ports miss the boat?" *The Globe and Mail*, March 6, 2006, p. B3.

is longer in distance, the lack of local stops could make the travel time about the same as that from Los Angeles to Chicago, which could mean that goods shipped through Prince Rupert could arrive at their destination two full days earlier.

Both the Port of Vancouver and the Port of Prince Rupert face challenges regarding their expansion plans, but the pay-off could be well worth it. Although the Port of Vancouver ranked 41st in the world in 2004 in terms of cargo volumes handled according to data from the American Association of Port Authorities, it did not even crack the top 50 in terms of container traffic. With fewer than 1.7 million TEUs, Vancouver was a bit player compared to the top-ranked ports such as Hong Kong (22 million TEUs) and Singapore (21 million TEUs). The top six container ports in the world in 2004 were all in Asia and considering the economic growth occurring in that region since then, it is likely the figures are even more inflated now. BC's strategic location relative to Asia makes it a perfect gateway for Asian trade with North America; however, the competition for port business is steep given the potential revenues to be had. The ports of Vancouver and Prince Rupert, as well as other BC ports, will be taking a risk if they wait too long or plan too small.



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- Processing survey responses

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- October 4-5, 2006
- 8:30 am - 4:30 pm
- Room 201, Library Square Office Tower
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Refreshments will be served throughout the day

Fees

- **Regular fee:** \$550 (plus GST)
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- Group registration rates available (3 or more)

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BC at a glance . . .

POPULATION (thousands)		% change on
	Apr 1/06	one year ago
BC	4,292.2	1.3
Canada	32,501.1	1.0
GDP and INCOME		% change on
(BC - at market prices)	2005	one year ago
Gross Domestic Product (GDP) (\$ millions)	168,011	6.8
GDP (\$ 1997 millions)	144,028	3.5
GDP (\$ 1997 per Capita)	33,853	2.2
Personal Disposable Income (\$ 1997 per Capita)	20,693	2.5
TRADE (\$ millions, seasonally adjusted)		% change on
		prev. month
Manufacturing Shipments - Jun	3,851	1.1
Merchandise Exports - Jun	2,923	7.7
Retail Sales - Jun	4,419	-1.4
CONSUMER PRICE INDEX		% change on
(all items - Jul 2006)	one year ago	12-month avg % change
BC	2.0	2.0
Vancouver	2.0	1.8
Victoria	1.8	2.0
Canada	2.4	2.5
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Jul '06	prev. month
Labour Force - BC	2,304	0.6
Employed - BC	2,196	0.2
Unemployed - BC	108	11.3
		Jun '06
Unemployment Rate - BC (percent)	4.7	4.3
Unemployment Rate - Canada (percent)	6.4	6.1
INTEREST RATES (percent)		
	Aug 30/06	Aug 31/05
Prime Business Rate	6.00	4.25
Conventional Mortgages - 1 year	6.40	5.00
- 5 year	6.85	5.80
US/CANADA EXCHANGE RATE		
	Aug 30/06	Aug 31/05
(avg. noon spot rate) Cdn \$	1.1100	1.1889
US \$ (reciprocal of the closing rate)	0.9016	0.8424
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Jul '06	one year ago
BC	721.25	3.2
Canada	729.45	3.9

SOURCES:

Population, Gross Domestic Product, Trade, } Statistics
 Prices, Labour Force, Wage Rate } Canada
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics
 For latest Weekly Financial Statistics see www.bankofcanada.ca

BC and Regional population projections

Projected population to 2031 for British Columbia and a variety of small regions within B.C. (P.E.O.P.L.E. 31).

www.bcstats.gov.bc.ca/data/pop/pop/popproj.asp#admin

Regional employment projections

BC Stats, with the financial assistance of the Ministry of Advanced Education, developed the Regional Employment Projection Model (REPM), designed to project industrial and occupational employment in regions of the Province of British Columbia.

www.bcstats.gov.bc.ca/data/lss/repm.asp

Socio-Economic Profiles & Indices 2005

Updated annually, this body of work provides a coherent and relatively comprehensive measurement of social stressors at sub-provincial areas. Charts, tables and, within the indices, consolidated rankings, make the information broadly accessible.

www.bcstats.gov.bc.ca/data/sep/index.asp

Released this week by BC STATS

- Business Indicators, August 2006
- Current Statistics, August 2006

Next week

- Tourism Sector Monitor, August 2006
- Labour Force Statistics, August 2006
- Earnings and Employment Trends, Aug. 2006

